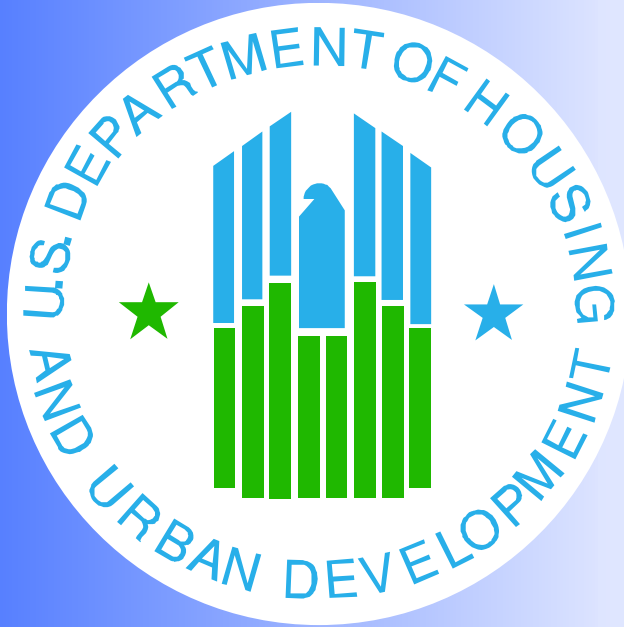


# **Reverse Auction Program**

## **Business Rules**



Effective August 12, 2005

Office of Public and Indian Housing  
Real Estate Assessment Center

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## GLOSSARY

**Active Inspector** – Inspector is defined as the individual, certified by the U.S. Department of Housing and Urban Development (HUD) Office of Public and Indian Housing – Real Estate Assessment Center (PIH-REAC) in the Uniform Physical Condition Standards (UPCS) inspection protocol, who performs on-site property inspections. Active inspectors have all standard inspection privileges and can login to Secure Systems. The names of all active inspectors who opt to have their name posted appear on the PIH-REAC external web listing of available inspectors. Reverse Auction Program inspectors may be contractors, employees of a contractor, subcontractors to a contractor, or employees of a subcontractor.

**Authorization Code** – An authorization code is used to match inspection work authorized for payment with the claim for payment. The authorization code is available to the contractor per line item in Secure Systems, and includes the unique Inspection ID.

**Bid Price** – The auction bid price refers to the each bid amount per lot that is submitted by a contractor. The bid price includes all costs associated with the performance of the inspection, such as travel expenses incurred to complete the inspection; it is compensation for participation in the training and bidding process, as well as scheduling and completion of inspections. Contractors shall refer to the Reverse Auction Program Purchase Order Terms and Conditions for specific payment terms.

**Ceiling Price** – HUD sets a ceiling price per inspection. Bidders cannot place a bid that is greater than the ceiling price.

**Collaborative Quality Assurance (CQA) Review** – This review is performed side-by-side with the inspector while the inspector is conducting the inspection. During the CQA review, the inspector's overall performance is rated either "Within Standard" or "Outside Standard" based on the inspector's ability to follow the UPCS inspection protocol. An "Outside Standard" performance designation will be referred to PIH-REAC Inspector Administration for follow-up action. Compilation of "Outside Standard" QA reviews may result in inspector de-certification.

**Contractor** – This is the entity (e.g., business concern, individual) that enters into the contract with HUD to provide the inspection services. The contractor is legally responsible for performing all work in accordance with the Reverse Auction Program Purchase Order Terms and Conditions.

**Data Collection Device (DCD)** – DCD refers to the portable computer used by inspectors to record inspection observations while on-site. This handheld device may be a Toughbook, Pocket PC, Personal Data Assistant (PDA), or any other mobile device used for data collection.

**De-activated Inspector** – De-activated inspectors cannot login to Secure Systems and are not listed on the PIH-REAC external web listing of available inspectors. A de-activated inspector may take steps to become re-activated.

**De-certified Inspector** – De-certified inspectors cannot login to Secure Systems and are not listed on the PIH-REAC external web listing of available inspectors. A de-certified inspector has

had all inspection privileges terminated, and must be re-certified to conduct PIH-REAC physical inspections. Depending on the reason for de-certification, re-certification may be denied. De-certified inspectors must return their HUD-issued photo identification badge.

**Decrements** – Decrement is the preset decrease in the bid price of an inspection.

**Rejected Payment** –PIH-REAC will not accept a request for payment if a contractor claims an incorrect amount, makes an advanced claim, or fails to populate the authorization code. The contractor’s MasterCard credit card company or merchant account provider will become involved in the disputed transaction.

**Estimated Inspection Duration** – The estimated inspection duration calculation determines the number of days needed to properly complete an inspection.

**Floor Price** – HUD sets a floor price per inspection. Contractors cannot place a bid that is less than the floor price.

**HUD** – This refers to the U.S. Department of Housing and Urban Development.

**Inspection ID** –This refers to a unique number generated by PIH-REAC Secure Systems for every property inspection ordered. This data element is posted to the auction website and used for reference.

**Limited Quality Assurance (LQA) Review** – This review is performed after the inspector has completed the inspection to determine whether or not the inspection was a true representation of the physical condition of the property at the time the inspection took place. As a result of the LQA review, the inspector’s performance is rated either “Within Standard” or “Outside Standard” based on their ability to follow the UPCS inspection protocol. An “Outside Standard” performance designation will be referred to PIH-REAC Inspector Administration for follow-up action. Compilation of outside standard QA reviews may result in inspector de-certification.

**Lot Group** – A lot group contains one or more property inspections in an auction to be procured together. A contractor must bid on all property inspections within a lot group.

**MasterCard Vendor Account** – A MasterCard vendor account is an electronic payment system, commonly referred to as a “merchant account.” This account enables a business to accept credit card payments through a virtual terminal (Internet website) for services rendered. To participate in the Reverse Auction Program, each contractor must establish and maintain a vendor account with a MasterCard credit card company or merchant account provider. The account must be able to process payments through an online terminal with a Merchant Category Code (MCC) of “9399-Government Services,” and must use the requirements under “Level II Data.” A Level II credit card has additional information, such as the “authorization code,” that is required for each purchase.

**M-ID Number** – Upon certification, PIH-REAC provides passing applicants with an identification number and a photo identification badge. The M-ID number is a unique identifier used to access PIH-REAC Secure Systems and allows inspectors to schedule, download, and upload inspections.

**Minimum Bid** – The Reverse Auction Program auction website allows contractors to set a minimum bid price for an inspection that the contractor is unwilling to bid below, when utilizing the proxy bid utility.

**Payment Terms** – See the Reverse Auction Program Purchase Order Terms and Conditions.

**PIH-REAC** – The PIH-REAC acronym stands for HUD’s Office of Public and Indian Housing – Real Estate Assessment Center.

**Point of Sale (POS)** – The POS indicates when the purchase order has been generated and the inspection work awarded to the lowest, eligible contractor.

**Property ID** – Each property to be inspected has a unique Property ID. This data element is posted to the auction website and used for reference.

**Proxy Bid Utility** – The Reverse Auction Program auction website includes a proxy bid utility, for use by the contractors at their discretion. This utility enables a contractor to enter successive bids for property inspections, even when not logged on to the auction website. The contractor may choose an initial bid for a property and a minimum bid price that the contractor is not willing to bid below. The proxy bid utility will not allow a minimum bid price that is lower than the floor price set by PIH-REAC. Once an initial bid is entered, the proxy bid utility will place successive bids at the next available decrement each time another contractor enters a lower bid, until it reaches the contractor’s set minimum bid price.

**Purchase Order** – HUD will purchase inspections under the Reverse Auction Program using purchase orders in accordance with simplified acquisition procedures (see Federal Acquisition Regulation Part 13). The purchase orders will be paperless. See the Reverse Auction Program Purchase Order Terms and Conditions on the PIH-REAC website for details at: [http://www.hud.gov/offices/reac/products/pass/pass\\_reverse\\_auction.cfm](http://www.hud.gov/offices/reac/products/pass/pass_reverse_auction.cfm).

**Quality Assurance (QA) Review** – A QA review evaluates inspector performance to help ensure the accuracy and consistency of physical inspections. QA reviews may be conducted at any time, including during the course of a property inspection, following an inspection, or as a separate analysis.

**Period of Performance** – Contractors will have a specified maximum period during which they must schedule and complete assigned inspections and submit completed inspection reports. Except for urgent inspections, inspectors will have up to 15 days to schedule an inspection and up to 90 days to complete an inspection and submit the report.

**Scattered Site** – A property in which its buildings are scattered among different plots of land is referred to as a scattered site.

**Secure Systems** – Secure Systems refers to the PIH-REAC Internet website available to only approved users, including active, certified inspectors and eligible Reverse Auction Program contractors. Secure Systems allows users to schedule, download, and upload inspections, report uninspectable properties, and access inspection work authorized for payment.

**Successful Inspection** – An inspection is considered to be successful if the inspector completes the inspection and uploads the inspection results. The inspection is then subject to PIH-REAC review, and will be accepted or rejected. PIH-REAC will authorize full payment for accepted inspections. No payment will be made for rejected inspections.

**Uninspectable Property** – Contractors are responsible for reporting properties as uninspectable if the POA/ED indicates the property is no longer in HUD’s inventory or if buildings or units have been rendered uninspectable. PIH-REAC will confirm a property’s uninspectable status, notify the contractor, and authorize an administrative fee if the property is verified uninspectable (VU). If PIH-REAC is unable to verify the reported uninspectable (RU) as valid, the contractor remains responsible for scheduling and conducting the inspection.

**Unsuccessful Inspection** – An inspection is considered to be unsuccessful if it could not be completed once the inspector arrives on-site. The reasons for an unsuccessful inspection may vary, but include: property representative cannot provide access to the buildings or units required for inspection; an insufficient sample of units is available for inspection; no property representative is available on-site to accompany the inspector; and the POA/ED failed to notify all residents prior to the inspection. PIH-REAC will authorize partial payment for an unsuccessful inspection when the contractor has followed the Reverse Auction Program Business Rules as outlined in this document.

**UPCS Inspection Protocol** – The UPCS inspection protocol provides a uniform, objective protocol for performing inspections of all property types, identifies the five inspectable areas and exigent health and safety hazards, and establishes standardized definitions for inspectable items.

**UPCS Inspection Software** – Inspectors utilize the UPCS inspection software to record inspection observations while on-site. The current version of the software provided by HUD must be downloaded to the DCD, and is available on the PIH-REAC website at:  
<http://www.hud.gov/offices/reac/products/pass/software.cfm>.

**User ID and Password** – Each Reverse Auction Program contractor is assigned an identification number and password by the auction vendor to be used to access the reverse auction website.

## BUSINESS RULES

### Introduction

This document identifies the business rules for contractors interested in participating in the Reverse Auction Program conducted by the U.S. Department of Housing and Urban Development (HUD), Office of Public and Indian Housing (PIH), Real Estate Assessment Center (REAC). These rules consist of requirements, procedures, and policies that are subject to change; revised versions will be made available on the PIH-REAC website at: [http://www.hud.gov/offices/reac/products/pass/pass\\_reverse\\_auction.cfm](http://www.hud.gov/offices/reac/products/pass/pass_reverse_auction.cfm).

The PIH-REAC Reverse Auction Program is a process of: (a) identifying properties needing inspection; (b) procuring bids to conduct the inspections; (c) reviewing and accepting inspections; and (d) authorizing payment to contractors. Specifically:

- The auction is conducted with the use of a reverse auction vendor website;
- Contractors bid on inspection assignments throughout the nation, including Puerto Rico, U.S. Virgin Islands, and Guam;
- Purchase order awards are made to the lowest, eligible contractor at the close of the auction;
- Active, certified inspectors then schedule and conduct the inspection, and upload the inspection observations to PIH-REAC;
- Once the inspection is accepted by PIH-REAC, payment is authorized; and
- Payment is made electronically to the contractor's Master Card vendor account.

### Reverse Auction Program Participants

A contractor is a small business that participates in the Reverse Auction Program by bidding on a lot group of properties to be inspected.

An inspector is an individual, certified by PIH-REAC in the UPCS inspection protocol, who performs on-site property inspections. Inspectors may be contractors themselves, employees of a contractor, subcontractors to a contractor, or employees of a subcontractor.

#### 1.0 Contractor

##### 1.1 Contractor Eligibility Requirements

Contractors must meet the following requirements to participate in the Reverse Auction Program and access the auction website:

- Qualify as a small business firm as defined by the Small Business Association (SBA) and the North American Industry Classification System (NAICS) code 541350, which is \$6 million. ***Contractors who are other than small businesses are not eligible to compete. Bids from other than small businesses will be rejected as non-responsive*** (see also provision 52.219-6 Notice of Total Small Business Set-Aside in Attachment A to the Purchase Order Terms and Conditions);

- Ensure that all inspections awarded are conducted by inspectors who are certified in the UPCS inspection protocol and utilize the current version of the software;
- Maintain status as a Level II on-line service MasterCard vendor;
- Maintain a minimum of \$500,000 general liability insurance; and
- Be eligible to receive Federal contracts (i.e., not be suspended or debarred, or under a HUD-imposed Limited Denial of Participation). ***Bids from ineligible bidders will be rejected.***

Contractors are expected to furnish the PIH-REAC with specific information, described below, to satisfy the requirements. The information should be submitted via email to: [ReacReverseAuctionProgram@hud.gov](mailto:ReacReverseAuctionProgram@hud.gov), at least five business days prior to the start of a contractor's first auction or when any changes are made prior to participating in an auction. This email shall also contain a contractor's contact information, including contact name, mailing address, phone number, and email address.

If a contractor is not a certified inspector with an active M ID, a representative from the contractor's small business concern must register for a user ID and password in order to access PIH-REAC Secure Systems. This registration requires entry of a social security number, which is used to help ensure HUD systems are secure. ***PIH-REAC staff will not receive or utilize the registrant's social security number.*** In order to receive full access to the Reverse Auction Program system components, a contractor must submit a user ID to:

[ReacReverseAuctionProgram@hud.gov](mailto:ReacReverseAuctionProgram@hud.gov) at least three business days prior to the start of the contractor's first auction.

#### *1.1.1 Small Business Certification*

Contractors must register with the Central Contractor Registration (CCR) and receive registration confirmation via email. A contractor must forward the SBA DUNS number to [ReacReverseAuctionProgram@hud.gov](mailto:ReacReverseAuctionProgram@hud.gov) as proof that the contractor has registered and been approved. Refer to Attachment 1: Small Business Fact Sheet for more information.

"Small business concern," means a concern, including its affiliates that is independently owned and operated, not dominant in the field of operation in which it is bidding on Government contracts, and qualified as a small business under the size standards for the NAICS code 541350. The SBA establishes small business size standards on an industry-by-industry basis. Small business size standards are applied by classifying the product or service being acquired in the industry whose definition, as found in the NAICS Manual (available via the Internet at <http://www.census.gov/epcd/www/naics.html>), best describes the principal nature of the product or service being acquired. These services are classified under NAICS code 541350 for which the size standard is \$6 million in average annual receipts.

#### *1.1.2 Inspector Certification*

Contractors must ensure all inspections are conducted by inspectors who are certified in the UPCS inspection protocol and utilize the current version of the software.

A contractor may be an active, certified inspector. If a contractor employs inspectors to conduct PIH-REAC inspections, the contractor must use inspectors that are certified by PIH-REAC in the



UPCS inspection protocol. In such cases, the contractor retains the responsibility of prime contractor. Section 2.0 of this document provides the requirements to remain an active, certified inspector.

### *1.1.3 Level II Credit Card Vendor*

As proof of a Level II MasterCard vendor relationship, the contractor must provide the account number, point of contact name, and contact phone number.

The contractor and merchant processor must have the ability to enter and pass Level II data to the issuing bank. The merchant processor terminal must be designated with a MCC of 9399-Government Services in order to permit payments to be authorized and settled. Refer to Attachment 2: MasterCard Vendor Fact Sheet for additional information.

Upon verification of contractor eligibility, PIH-REAC will provide the contractor with a HUD sub account number, which is necessary to claim payment. PIH-REAC will also provide each contractor with an authorization number upon acceptance of each inspection product. Payment for inspections performed will be deposited directly to the responsible contractor's designated bank account. If the contractor does not remain a MasterCard vendor, the contractor *cannot* receive compensation for the inspection work. HUD will *not* pay any transaction or activation fees associated with establishing and maintaining this vendor account or any credit card fees.

### *1.1.4 Insurance Certification*

As proof of insurance, a contractor must provide PIH-REAC with the name, address, and telephone number of the general liability insurance company providing the contractor insurance coverage, as well as the policy number. Contractor insurance coverage is subject to random verification.

## **1.2 Contractor Ineligibility**

In addition to failing to meet any of the eligibility requirements set forth in section 1.1 above, HUD may determine that a contractor is ineligible by virtue of being non-responsible in accordance with FAR Subpart 9.1. A determination of non-responsibility may result from:

- History of delinquent performance (e.g., repeated late deliveries, delivery of incomplete or erroneous inspection reports, failure to deliver reports, repeated cancellations of inspections);
- Unethical business practices; or
- Lack of necessary facilities, personnel (e.g., all inspectors are already working at capacity), technical skills, organization, accounting and operational controls.

A determination of non-responsibility is a matter of judgment and made by weighing available evidence. A contractor must be determined to be responsible at the time the purchase order is to be issued. Being determined responsible in the past will not effect a determination of current contractor responsibility.

If HUD determines that a Reverse Auction contractor is ineligible to compete or receive an award due to non-responsibility, HUD will refer the matter to the Small Business Administration, which will decide whether or not to issue a Certificate of Competency stating that the contractor is competent to receive the contract.

Because a contractor may also be a PIH-REAC inspector, a contractor deemed ineligible to participate in bidding may be able to maintain active certification as an inspector. An inspector who becomes de-activated or de-certified may maintain eligibility as a contractor.

## **2.0 Inspector**

### **2.1 *Inspector Requirements***

PIH-REAC requires inspectors to attend the UPCS inspection protocol training and pass subsequent exams. PIH-REAC also requires inspectors to conduct inspections according to the UPCS inspection protocol in order to maintain active certification.

#### **2.1.1 *Application***

The PIH-REAC Training Program represents the only means for a qualified applicant to become certified to perform PIH-REAC inspections. In order to participate in this training, the applicant must already have sufficient inspector skills and experience as an inspector.

Applicants must complete the Inspector Assessment Form, which is available on the PIH-REAC website at: [http://www.hud.gov/offices/reac/products/prodpass\\_iaform.cfm](http://www.hud.gov/offices/reac/products/prodpass_iaform.cfm). The Inspector Assessment Form is a questionnaire, which provides basic background information about each applicant's skills and abilities, including inspection experience, education, specialized training, computer experience, and other related information. Applicants must also provide contact information.

An applicant will be notified via email whether or not the applicant is selected to participate in the training. If selected, the applicant's notification will include an invitation to participate in the most recently enhanced training program.

#### **2.1.2 *Training***

The current certification training includes five days of intensive instructor-led classroom sessions, concentrating on PIH-REAC inspector protocol, deficiency definition, hands-on software instruction, and certification exams. Training Program coordinators may be contacted at: [reacpasstraining@hud.gov](mailto:reacpasstraining@hud.gov).

#### **2.1.3 *Certification***

Only after completing training and passing the certification examinations will an inspector applicant be certified to conduct PIH-REAC inspections. Certification is conditional until the inspector successfully, independently performs an inspection under the supervision of a HUD QA inspector.

#### ***2.1.4 Maintaining Certification***

In order to maintain active inspector certification, inspectors must successfully perform a UPCS inspection at least once in a 180 consecutive calendar day period. A UPCS inspection is considered successful only after the inspection results have been uploaded by the inspector and accepted by PIH-REAC. Furthermore, the inspector must be in compliance with Inspector Notice No. 2002-01, Maintain Active Certification, and any additional related notices. Inspector performance is monitored in accordance with Inspector Notice No. 2002-02 and the Inspector Administration Business Rules. The PIH-REAC Inspector Administration website is available at: <http://www.hud.gov/offices/reac/products/pass/inspectors.cfm>.

#### ***2.2 Inspector De-certification***

Inspector Notice No. 2002-02, Inspector Administration Business Rules, and any additional related notices, outline the administrative actions that may be taken if an inspector's performance is found to be deficient. Certain violations of the UPCS inspection protocol may disqualify an inspector from performing future inspection services. These violations include, but are not limited to:

- Purposeful violations and/or omissions of the inspection protocol;
- Fraud;
- Sexual or other harassment;
- Theft; and
- Violent acts.

PIH-REAC Inspector Administration staff may recommend de-activating or de-certifying an inspector. Inspectors may appeal a de-certification according to the Inspector Administration rules and procedures.

### **3.0 Reverse Auction**

#### ***3.1 Auction Website***

PIH-REAC plans to conduct auctions at least once every quarter and as many times as necessary to satisfy HUD's requirements for inspections. The Reverse Auction Program allows PIH-REAC to post inspections to a website and contractors to bid on the property inspections.

##### ***3.1.1 Program Announcement***

Reverse Auction Program contractors will receive an email notification of each upcoming auction event, to include the:

- Estimated number of properties in an auction event and geographical information;
- Estimated amount of time the auction will remain open for bidding; and
- Period during which the inspections must be scheduled and completed.

### *3.1.2 Auction Website Training*

Reverse Auction Program contractors may participate in training activities prior to commencement of the auction, including an online session in the use of the auction website. PIH-REAC anticipates that the conference call, training, and/or mock auction should take each contractor a maximum of four hours to complete.

### *Error! No index entries found.3.1.3 Website Access and Help Desk Assistance*

The auction website vendor will provide each contractor with login credentials to access the secure auction website. If a contractor has any problems with the supplied user ID and password, the contractor may contact the website vendor's help desk. Contractors will be furnished with information on how to access the help desk, the corresponding email addresses and telephone numbers, and any other Reverse Auction Program assistance.

### *3.1.4 Property and Lot Description*

"Lot" refers to one or a group of inspections clustered by PIH-REAC for award to a successful contractor. If a contractor elects to bid on an inspection for any property in a lot, the contractor must bid on every property in that lot. If a contractor fails to bid on every property in the lot, the system will not accept the proposed bids. The eligible contractor offering to perform the lot inspection(s) for the lowest total price will be awarded the inspection work.

Each inspection within the lot remains distinct. The winning contractor will schedule each inspection separately, and an active, certified inspector will conduct each inspection separately. PIH-REAC will pay the contractor directly and separately for each accepted inspection. Failure to complete all inspections within each lot may make the contractor ineligible for future inspection services.

### *3.1.5 Property Preview and Search Capability*

When possible, properties available for auction will be posted to the website prior to the start of an auction. Contractors may use this opportunity to identify the properties on which they would like to place bids. The online system will allow each contractor to search through lot and property data pertaining to the inspections posted for auction. Search criteria may include, but is not limited to:

- Property name;
- City;
- State;
- Zip code;
- Scattered site indicator;
- Estimated inspection duration; and
- PHA code.

The building and unit counts that appear on the auction website are the counts derived from HUD's data systems, and may differ from the actual building and unit counts. Inspectors must

verify the building and unit counts when on-site according to the Reverse Auction Program Purchase Order Terms and Conditions.

### **3.2 Bidding**

Contractors should account for all costs and risks when calculating their bid price. For example, the contractor should take into consideration the expected level of effort required to perform the inspection, as well as any related expenses, such as travel. Contractors should consider the possibility of not being able to inspect a property, and adjust their prices accordingly.

Historically, approximately one to three percent of the total properties inspected were verified as unsuccessful inspections. Payment terms per inspection outcome are provided in the Reverse Auction Program Purchase Order Terms and Conditions.

Contractors should consider that the inspection fieldwork must be completed within the timeframe established by PIH-REAC and according to the schedule agreed upon with the property representative. All aspects of the UPCS inspection protocol are to be followed, including: correctly documenting the property profile; accomplishing a complete verification of the property prior to generating the sample; and observing all items and recording all deficiencies correctly. Strict adherence to the protocol is necessary, as PIH-REAC is expecting high quality inspections.

#### **3.2.1 Workload Management**

The auction website has a utility that permits a contractor to self-impose a limit on the number of workdays for inspections that can be awarded to the contractor per auction. This utility is a safeguard, ensuring that contractors can complete all awarded inspections within the performance period.

For example:

- If the contractor has only a single inspector, the amount of work the contractor should be awarded should not exceed the number of workdays available for one inspector within the performance period;
- If the inspection period is between January 1 and March 31, the contractor has between 19-23 workdays each month, or roughly 60-workdays to conduct the awarded inspections during the performance period; and
- The contractor should self-impose a limit of 60 workdays.

All contractors need to be aware of this utility, as it will allow contractors to limit the awardable inspection work, which may be affected by vacations and part-time contractors. However, contractors who are not limited to a single inspector's workday limit may choose to set the threshold at a high enough number so as not to limit the number of inspections that can be awarded.

Through this utility, inspection work can be awarded to the contractors up until the self-imposed threshold is met. The utility does not allow the contractor to pick and choose which inspections are to be awarded first, second, and third, etc. Award will simply be made in the order in which bids are closed.

### *3.2.2 Bidding Functionality*

The auction website will automatically total the per property bid amounts submitted by a contractor within a lot to reach a total lot bid amount. During an auction, only the leading total lot bid amount will be visible to competing contractors, i.e., competing contractors will not be able to see the individual property bids within a lot or the identity of the leading bidder or any other competing contractor. Specifically, contractors will be able to view the term “bidder” next to all total lot bid amounts submitted by competing bidders. A contractor will also be able to view the contractor’s own ID number beside each of the total lot bid amounts submitted by that contractor.

Contractors may place bids in five-dollar decrements at or below the ceiling price. If a submitted bid reaches the floor price set for a property inspection, the property inspection will become closed for bidding. Contractors may not withdraw a bid once it has been accepted by the system.

### *3.2.3 Proxy Bidding*

The auction website includes a proxy bid utility, for use by contractors at their discretion. The proxy bid utility enables a contractor to enter successive bids for property inspections, even when not logged onto the auction website. Utilizing the proxy capability, the contractor may choose an initial bid for a property and a minimum price that the contractor is not willing to bid below. The proxy functionality will not allow a minimum price that is lower than the floor price set by PIH-REAC. Once an initial bid is entered, the proxy bid utility will place successive bids at the next available bid price each time another contractor enters a lower bid, until it reaches the contractor’s set minimum proxy price. Thus, contractors do not need to be at their computer during the auction event to be competitive.

For example, suppose an auction starts at an opening price of \$500. Contractor A enters a proxy bid minimum of \$400. Contractor B subsequently enters a bid of \$450. The proxy automatically enters a lower bid at the next decrement for a bid of \$445 on behalf of Contractor A. Contractor B then enters a bid of \$400. The proxy will not enter another bid for Contractor A, since the minimum proxy price has been reached. However, Contractor A may continue to manually enter lower bids until the auction closes, or set up a lower proxy bid.

## **3.3 Auction Extension**

During the bidding process, PIH-REAC reserves the right to extend the duration of the auction due to extenuating circumstances.

## **4.0 Purchase Order Award**

### **4.1 Purchase Order**

PIH-REAC will award a purchase order for each lot to the eligible contractor submitting the lowest total lot price. In the case of identical bid amounts, award will be made to the first bid recorded by the auction software. If the contractor offering the lowest price is ineligible to receive the award, PIH-REAC will re-post the inspection(s) in a future auction.

HUD will not issue paper purchase orders under the Reverse Auction Program. Contractors shall refer to the Reverse Auction Program Purchase Order Terms and Conditions for specific payment terms at: [http://www.hud.gov/offices/reac/products/pass/pass\\_reverse\\_auction.cfm](http://www.hud.gov/offices/reac/products/pass/pass_reverse_auction.cfm).

Following selection of the successful contractor, PIH-REAC will issue the purchase order notification to the contractor via email. As stated in the email, contractors will have 24 hours to accept PIH-REAC's purchase order. No response to the email notification is needed if the contractor accepts and the contractor shall proceed with the work. The notification will include the following information, at a minimum, for each lot:

- Winning contractor's information;
- Dollar amount of winning bids;
- Estimated inspection days;
- Expected completion date; and
- Purchase order number.

Contractors must contact PIH-REAC immediately if information in the purchase order notification email is incorrect. Once the purchase order email notification is received and accepted, the successful contractor must obtain the property point of contact information from Secure Systems. This information shall be used to schedule inspections.

### **4.2 Non-Award**

There may be instances where awards may not be made to the contractor with the lowest bid price. For example, award of a new purchase order, for which a contractor submitted the low bid, may cause that contractor to exceed his/her workload management limit of 60-workdays during the performance period. In that case the new purchase order would be awarded to the eligible contractor who submitted the next lowest bid.

There may also be instances where a contractor becomes ineligible during the auction, and cannot be awarded any inspections. Refer to Section 1.0 for more information regarding contractor ineligibility.

In addition, PIH-REAC chose reserves the right to not make a purchase order award due to funding restrictions or other business reasons.

### **4.3 Bid Protests**

Protest of an award made under the reverse auction shall be processed in accordance with the Federal Acquisition Regulation clause 52.233-3, Protest After Award, (see Attachment A of the Purchase Order Terms and Conditions).



## ATTACHMENT 1

### **Small Business Registration Fact Sheet**

#### Definition of a Small Business:

- A Small Business, as defined in The Small Business Act, is "one that is independently owned and operated and which is not dominant in its field of operation." The numeric values for determining a Small Business vary across industry.
- SBA considers a number of factors to determine the qualifying numeric values. These include, but are not limited to, degree of competition, average firm size, start-up costs and entry barriers, and distribution of firms by size.
- The United States Small Business Administration (SBA) defines Small Business size. Size standards have been established for types of economic activity, or industry, generally under the North American Industry Classification System (NAICS).
- NAICS assigns codes to all economic activity within twenty broad sectors. A full table is published annually, which displays a size standard with an NAICS Industry or U.S. Industry code.
- The NAICS code assigned to the Reverse Auction Program services is 541350.
- To find out if your business is classified as a small business, please visit <http://www.sba.gov/size/sizetable2002.pdf>.

#### Registering a Small Business:

- Vendors must register their small business through the Central Contractor Registration (CCR) system. Developed by the Department of Defense (DoD), and PRO-Net, the CCR serves as a database of small businesses by the SBA. DoD and PRO-Net have recently merged to provide a single searchable database for agencies and vendors.
- The CCR collects and maintains specific information about and pertaining to small businesses. The database provides agencies with the ability to search for companies based on certain criteria including abilities, size, location, experience, and ownership.
- To begin the registration process, vendors should log into the CCR website at <http://www.ccr.gov/> and click on "Start New Registration."
- Each vendor must register for a DUNS number in order to register in Central Contractor Registration (CCR). The DUNS number is the proprietary means of identifying business entities on a location-specific basis.
- After filling in the required information about the business, a DUNS number will be generated and sent via email within 48 hours. The vendor may then proceed to register with the CCR.
- For more information or questions regarding Small Business Registration, please visit, <http://www.sba.gov/businessop/marketing/register.html> or [www.ccr.gov](http://www.ccr.gov), or call 1-888-227-2423.

## ATTACHMENT 2

### **MasterCard Vendor Fact Sheet**

#### MasterCard Vendor Account Definition:

- A MasterCard Vendor Account is an electronic payment system, commonly referred to as a “merchant account.”
- This account enables a business to accept credit card payments through a “virtual terminal” (Internet website) or a “physical terminal” (storefront) for services rendered.

#### Reverse Auction Program Requirements:

- To participate in the Reverse Auction Program, each bidder must establish and maintain a vendor account with a MasterCard credit card company or merchant account provider.
- This account must be able to process payments through an online terminal with a Merchant Category Code (MCC) of “9399-Government Services.”

#### The Payment Process:

- The business first establishes a private bank account, which includes a business checking account.
- The business receives credit card information in the form of an “authorization code” from the Reverse Auction Program.
- The authorization code is entered into the virtual terminal, which initiates a direct deposit into the private bank account. This is similar to the “swiping” of a credit card through a physical terminal.
- The credit card information is sent to a processing bank.
- The processing bank ensures that there are appropriate funds in the account and transfers the money to the business’ account within 2 to 3 business days.

#### Establishing a Vendor Account:

- A business can establish a MasterCard Vendor Account through any merchant account provider or through a MasterCard company. For more information, please go to [www.mastercard-visa.com](http://www.mastercard-visa.com) or call 1-888-336-4872.
- To apply for vendor status, you must provide your business information by completing an online application.
- Approval usually occurs within two to three business days and virtual terminal setup occurs within five to six business days.
- There are fees associated with establishing and maintaining a vendor account. These fees vary according to the business needs and the provider. (The Reverse Auction Program does not pay activation or transaction fees associated with an account; the bidder must factor any additional costs into the bid per inspection.)

Level II Data (POS/Customer Code):

- Your account must use the requirements under “Level II Data.”
- A Level I credit card is insufficient for the Reverse Auction Program. It is a standard card for a purchase transaction and only includes information such as “total purchase amount” and “date.”
- A Level II credit card has additional information that is required for each purchase. This additional information includes the “authorization code,” which is necessary for payment.

### ATTACHMENT 3

#### Required Email Text for Inspection Confirmation

Subject Line: Physical Inspection of *[insert property name and property ID]*

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Name of Property Owner

Property Name

Property Address

City, State

Inspection #, Property ID

Dear *[name of property owner]*:

This confirms that the referenced property is scheduled for inspection beginning at *[time]* on *[date]*, through *[time]* on *[date]*. The inspection will not include weekends or Federal holidays. If you do not agree with this inspection schedule respond to this email within two business days. You must copy the REACReverseAuctionProgram@hud.gov mailbox.

If you agree to the above schedule, please reply to this message to confirm your agreement with the scheduled date(s) and time(s) (see format below). On the day of the inspection, if there is a delay, I will immediately contact you by telephone and set new dates, if necessary.

Please provide the required written notice of the inspection to your residents. It is not necessary for the tenants of the selected units selected to be present during this inspection.

On the day of the inspection, a representative must accompany me at all times while on site. The inspection will include the entire property: project grounds, common areas, office, maintenance work areas, laundry rooms, community room, etc., and a sample of buildings and units selected at random. I will verify data provided in the property profile, as per our previous discussion. Please have available the following information to assist with the verification:

- Total number of buildings and number of units within each building;
- The unique building identifier (i.e., the address or some other identifier that will enable the identification of each building for future inspections);
- All applicable certifications, including inspections of elevators, sprinkler systems, fire alarms, and boilers; lead-based paint testing certification and HUD's disclosure form (Disclosure of Information on Lead-Based Paint and/or Lead-Based Paint Hazards) for housing built prior to 1978 (including elderly properties) are also required;
- Current rent-roll (used for reference only, rent amounts are not necessary);
- Site-map or plot plan showing property layout and building locations, if available;
- Total square footage of the Parking Lots/Driveways/Roads and Walkways/Steps; if you do not provide these area measurements at the time of the inspection, I will provide an estimate of the square footages to HUD;
- Current occupancy percentage rate; and
- Copy of written notification to the residents of the inspection.

A sample of units for inspection will be drawn on-site the day of the inspection. I will inform the representative of these units, and the representative should be prepared to provide access to the identified units and all other areas of the property (e.g., maintenance facilities, offices, etc.).

Please be advised that the terms of my contract with HUD do not permit me to discuss with you or your representative, or provide advice on, any deficiencies observed and recorded during the inspection. Both HUD and I understand that you may have different views regarding the deficiency definitions, but I must classify deficiencies in accordance with HUD's established inspection protocol.

HUD's Offices of Housing and Public Housing require that all exigent health and safety hazards be mitigated immediately. An exigent hazard is one that poses an immediate threat to life, health or property. During the inspection, the inspector will record all health and safety hazards. Before leaving the property, I will provide your representative with a written list of all such health and safety hazards and ask your representative to sign the form to acknowledge receipt. Such signature only acknowledges receipt of the form and does not indicate the representative's or your concurrence with its contents. A HUD representative may contact you or review in a site visit to assure that such items have been addressed in a timely manner.

Be advised that HUD may conduct a Quality Assurance (QA) inspection to verify the results, which may occur during, or shortly after this inspection.

If you have additional questions, please contact me by email or at *[insert phone number]*. I wish to thank you and your staff in advance for your cooperation with this inspection.

Sincerely,  
Contractor Name – PIH-REAC Inspector #

cc: REACReverseAuctionProgram@hud.gov

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RETURN CONFIRMATION EMAIL:

I agree with the date(s) and time(s) negotiated on *(enter date)* between the contractor and the POA/PHA representative *(fill in name of property representative authorized to make such a commitment)*.

## **ATTACHMENT 4**

Please refer to the next page.

# NOTIFICATION OF EXIGENT AND FIRE SAFETY HAZARDS OBSERVED

Property ID #: \_\_\_\_\_ Inspection ID # \_\_\_\_\_ Inspection Date: \_\_\_\_\_  
 Property name: \_\_\_\_\_ PHA Name \_\_\_\_\_ Property Phone: \_\_\_\_\_  
 Property Address: \_\_\_\_\_ PHA ID Number \_\_\_\_\_ Agent Phone: \_\_\_\_\_  
 Property City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

## **PART 1** **EXIGENT HEALTH AND SAFETY HAZARDS**

<b>Air Quality</b> <b>A--</b> Propane/Natural Gas/Methane Gas Detected  <b>Electrical Hazards</b> <b>B--</b> Exposed Wires/Open Panels <b>C--</b> Water Leaks On or Near Electrical Equipment	<b>Emergency Equipment/Fire Exits/Fire Escapes</b> <b>D--</b> Emergency/Fire Exits/Blocked/Unusable Fire Escapes <b>E--</b> Blocked Egress/Ladders  <b>Gas/Oil Hot Water Heater/Gas/Oil HVAC</b> <b>F--</b> Carbon Monoxide Hazard - Gas/Oil Fired Unit -Missing/Misaligned Chimney
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**\*\* The Offices of Housing and Public Housing require all exigent hazards be mitigated immediately. The office of Housing requires a written report to be filed with the local office within 72 hours of the date of the inspection. All public housing agencies are required to document activities in this area under both PHMAP and PHAS requirements for later evaluation by HUD.**

During this inspection, the following items were observed and noted as Exigent Health and Safety hazards that require immediate attention. Use additional sheets if needed.

Item Number	Site or Bldg. Location	DU or CA Location	CHECK DEFECT TYPE(s) (See list below)						COMMENT(s)	
			A	B	C	D	E	F		Certificate***
1										
2										
3										
4										
5										

\*\*\* Reserved for HUD Use.

## **PART 2** **FIRE SAFETY HAZARD**

<b>Emergency Equipment/Fire Exits/Fire Escapes</b> <b>G--</b> Window Security Bars Prevent Egress <b>H--</b> Fire Extinguishers Expired	<b>Smoke Detectors</b> <b>I --</b> Missing/Inoperative
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During this inspection the following items were observed and noted as Fire Safety hazards which require immediate attention:

Item Number	Site or Bldg. Location	DU or CA Location	CHECK DEFECT TYPE(s) (See list below)			COMMENT(s)	
			G	H	I		Certificate***
1							
2							
3							

\*\*\* Reserved for HUD Use.

Other Health and Safety Concerns Not Defined In Above Matrix.

1.	
2	

NAME OF OWNER/AGENT'S REPRESENTATIVE (Please print legibly)

INSPECTOR NAME: (Print)

SIGNATURE OF OWNER/AGENT'S REPRESENTATIVE Date \_\_\_\_\_

INSPECTOR ID NUMBER

A copy of this notification will be provided to the appropriate local health/safety/fire code enforcement entity.

Neither the inspector, the inspector's employer nor the Department of Housing and Urban Development assume any liability whatsoever expressed or implied that the above noted health and safety hazards constitute all of the health and safety deficiencies that may be present on the property. Any and all liability for the health and safety hazards noted above, as well as any health and safety hazards that may exist on the property but were not observed by the inspector, are the full and absolute responsibility of the property owner and not the inspector, the inspector's employer nor the Department of Housing and Urban Development

# NOTIFICATION OF EXIGENT AND FIRE SAFETY HAZARDS OBSERVED (continued)

Property ID #: \_\_\_\_\_

Inspection ID # \_\_\_\_\_

Inspection Date: \_\_\_\_\_

Inspector ID # \_\_\_\_\_

## **PART 1** EXIGENT HEALTH AND SAFETY HAZARDS

<b>Air Quality</b> <b>A--</b> Propane/Natural Gas/Methane Gas Detected  <b>Electrical Hazards</b> <b>B--</b> Exposed Wires/Open Panels <b>C--</b> Water Leaks On or Near Electrical Equipment	<b>Emergency Equipment/Fire Exits/Fire Escapes</b> <b>D--</b> Emergency/Fire Exits/Blocked/Unusable Fire Escapes <b>E--</b> Blocked Egress/Ladders  <b>Gas/Oil Hot Water Heater/Gas/Oil HVAC</b> <b>F--</b> Carbon Monoxide Hazard - Gas/Oil Fired Unit -Missing/Misaligned Chimney
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\*\* The Offices of Housing and Public Housing require all exigent hazards be mitigated immediately. The office of Housing requires a written report to be filed with the local office within 72 hours of the date of the inspection. All public housing agencies are required to document activities in this area under both PHMAP and PHAS requirements for later evaluation by HUD.

During this inspection, the following items were observed and noted as Exigent Health and Safety hazards that require immediate attention. Use additional sheets if needed.

Item Number	Site or Bldg. Location	DU or CA Location	CHECK DEFECT TYPE(s) (See list below)						COMMENT(s)	
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45.										

\*\*\* Reserved for HUD Use.



# NOTIFICATION OF EXIGENT AND FIRE SAFETY HAZARDS OBSERVED (continued)

Property ID #: \_\_\_\_\_

Inspection ID # \_\_\_\_\_

Inspection Date: \_\_\_\_\_

Inspector ID # \_\_\_\_\_

## **PART 2** **FIRE SAFETY HAZARD**

<b>Emergency Equipment/Fire Exits/Fire Escapes</b> G-- Window Security Bars Prevent Egress H-- Fire Extinguishers Expired	<b>Smoke Detectors</b> I -- Missing/Inoperative
---	--

During this inspection the following items were observed and noted as Fire Safety hazards which require immediate attention:

Item Number	Site or Bldg. Location	DU or CA Location	CHECK DEFECT TYPE(s) (See list below)			COMMENT(s)	
			G	H	I		Certificate***
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\*\*\* Reserved for HUD Use